New Issue: **Idaho Bond Bank Authority**

MOODY'S ASSIGNS Aa2 RATING TO THE IDAHO BOND BANK AUTHORITY REVENUE BONDS, SERIES 2008E

APPROXIMATELY $117.6 MILLION OF DEBT AFFECTED, INCLUDING CURRENT OFFERING

State
ID

Moody's Rating

ISSUE	RATING
Revenue Bonds, Series 2008E	Aa2

Sale Amount	$27,820,000
Expected Sale Date	11/06/08
Rating Description	Revenue Bonds

Opinion

NEW YORK, Oct 24, 2008 -- Moody's Investors Service has assigned a Aa2 rating to the Idaho Bond Bank Authority Revenue Bonds, Series 2008E in the approximate amounts of $27.8 million. At this time, Moody's affirms the Aa2 rating on the Idaho Bond Bank Authority's outstanding bonds in the approximate amount of $89.8 million. All of the bond bank's debt is currently fixed rate obligations. Proceeds from the current offering will be used to provide three loans to three participants (Madison SD #321, Minidoka Joint SD #331, Madison Library District). At this time Moody's affirms the Baa1 underlying rating on Madison SD #321, ID's general obligation bonds outstanding in the amount of $40.5 million, and affirms the A3 underlying rating on Minidoka SD #331, ID's general obligation bonds outstanding in the amount of $22.2 million. The current bonds are secured by a voter approved unlimited ad valorem property tax pledge of each of the three participants. Further security for a portion of the Series 2008E bonds is provided by the state intercept whereby intergovernmental revenues will be transferred directly to the trustee to pay debt service if payment has not been received within ten days of the debt service payment date. The 2008E bonds are also secured by a pledge of the state's sales tax revenues. The Aa2 rating reflects the broad pledge of the State of Idaho's (Issuer Rating Aa2, with a stable outlook) sales tax revenues, the state intercept mechanism, satisfactory payment timing, and the average credit quality of each bond bank loan participant securing the 2008E bonds.

BOND BANK AUTHORIZED BY CONSTITUTION AND STATUTE AND APPROVED BY VOTERS

The Idaho Legislature approved a constitutional amendment to the Idaho State Constitution (Article VIII, Section 2A); the voters of Idaho approved the creation of the Idaho Bond Bank and the state sales tax pledge in 2000. The program was authorized in 2001 by the Idaho Bond Bank Authority Act (Title 67, Chapter 87 of the Idaho Statutes), which established the bond bank to provide Idaho communities with an attractive mechanism for financing local infrastructure.

Under the bond bank program, each series of bonds is secured by a pledge of the underlying borrowers. The security set forth in each underlying borrower's loan agreement may include, but is not limited to a general obligation, pledge of net enterprise revenues, property tax assessments, or a general fund lease. Further, the bond bank program includes a credit review process and minimum credit criteria for potential borrowers. The process includes a qualitative component ensuring eligibility in the program, the legal authority to borrow, and a review of the borrower's capital planning program. The quantitative component evaluates criteria including the historical strength of the borrower's specific pledge, the impact of the borrowing on operating funds, and minimum debt service coverage thresholds, as well as economic, population and tax base trends.

The current sale includes three separate loans to three participants; each loan is secured by property taxes approved by vote pledging the borrower's full faith and credit. Two participants are school districts with Madison SD #321 (G.O. rated Baa1) making up the largest borrower for the current sale ($19.5 million), as well the largest borrower of all participants in the program. Minidoka Joint SD #331 (G.O. rated A3) is currently borrowing $4.4 million. Each school district's portion of the current sale is also secured through state intercept payments established under Idaho Code. The third participant, Madison Library District is borrowing $3.92 million with only a small portion of the loan further secured by state intercept payments. Importantly, the 2008E bonds are additionally secured by a transfer from the state sales tax account in an amount sufficient to make the scheduled debt service payment.

MECHANISM AND TIMING OF STATE SALES TAX PAYMENTS IS SATISFACTORY; PLEDGED STATE SALES TAX REVENUES PROVIDE AMPLE COVERAGE OF IDAHO BOND BANK AUTHORITY BONDS, INCLUDING CURRENT SALE

Interest payments are due March 15 with principal and interest due on September 15. Bond bank loan participants are required to pay the bond bank trustee 15 days prior to bond payment. If the participant's payment has not been received within 10 days of the payment date, the trustee is required to notify the state treasurer to implement intercept procedures, if applicable. Finally, if funds are insufficient within five days of the payment date the state treasurer will transfer from the state sales tax account an amount sufficient to make the scheduled debt service payment.

Due to a constitutional prohibition on the lending of the state's credit to municipalities, Idaho has opted to provide for a pledge of state sales tax revenues to guarantee full and timely payment of loan participant debt service when due. The state sales tax revenues are pledged on a senior lien basis to certain bonds issued prior to July 1, 2001, which previously included only one bond series issued by the Idaho Housing and Finance Association; these bonds have been paid. The State of Idaho's Tax Anticipation Notes (TANs) have the most senior lien on the sales tax revenues. The TANs, however, are also secured by collections of the state's income tax. Traditionally the state sizes TAN borrowing based on fourth quarter collections of both tax sources for payment of the TANs. Idaho School Bond Guaranty bonds are also secured by the state sales tax, but since none were issued prior to July 1, 2001 the current offerings are on parity with Idaho School Bonds. Fiscal 2008 sales tax revenues increased slightly from fiscal 2007 (3.6%) and provide 138 times coverage of maximum annual debt service (MADS) in 2013 of all outstanding IBBA debt. Fiscal 2009 sales tax revenues are projected to decline nearly 9%.

PROCEEDS FROM CURRENT OFFERING WILL FUND VARIOUS CAPITAL IMPROVEMENTS; CREDIT QUALITY OF GROUP IS SATISFACTORY

Each participant in the program is required to execute a loan agreement with the bond bank to provide funds to make payments on the new loan. The bond bank will use these payments to repay the participants' portion of the Series 2008E bonds. There are no cross-default provisions in the loan agreements; therefore each participant will not be liable for the failure of any other municipality to make payments with respect to previously issued Bonds. Madison SD #321 and Madison Library District are both located in southeastern Idaho with nearly coterminous boundaries. Minidoka SD #331 is located in south-central Idaho about 44 miles east of the city of Twin Falls.

The largest participant in the current sale is Madison SD #321, borrowing $19.5 million (70% of Series 2008E) to be secured by the district's unlimited property tax pledge. The district's annual debt payments are also secured by state intercept payments. Proceeds will be used to construct two new elementary schools and a high school. Since the 2000 census, the district's population increased a healthy 36% to an estimated 31,393 residents. The district's 2008 full market value is slightly above the Baa1 national school district median at $1.2 billion. As of the 2000 census, per capita and median family income levels were below state levels at $10,631 (60% of state) and $39,752 (91% of state), respectively. In fiscal 2004, the district drew down its total general fund balance to $645,000 (3.4% of general fund revenues) for one-time bonuses to teachers to offset state level hold backs in school funding. The total general fund balance declined again in fiscal 2005 to $589,000 (3.0% of general fund revenues) and again in fiscal 2006 to a thin $172,000 (0.9% of general fund revenues). The total general fund balance improved in fiscal 2007 to $617,000 (2.9% of general fund revenues) due to a combination of increased financial flexibility from an enrollment driven emergency levy and a recently authorized plant facilities levy, reductions in personnel costs, improvements in state level funding and manageable salary and benefit levels. Direct debt is somewhat high at 4.9% and payout of debt is below average at 36.2% amortized in ten years.

Madison Library District is borrowing $3.92 million (14% of Series 2008E) and secured by the district's unlimited property tax pledge. Only a small portion of the district's annual debt payments are further secured by state intercept payments established under Idaho Code. Proceeds will be used to renovate and expand the library in Rexburg. The library district's boundaries are nearly coterminous with Madison SD #321. The library district's population is an estimated 27,575 (2007) and full market value is approximately $1.2 billion (2008). The library district has maintained healthy reserves averaging nearly 67% of general fund revenues ($362,000) between fiscal 2005 and fiscal 2007. Fiscal 2007 primary operating revenues come from local property taxes (88%). Direct debt is a manageable 0.3% and payout is below average at 37.9% in ten years.

Minidoka SD #331 is borrowing $4.4 million secured by an unlimited property tax pledge. The district's annual debt payments are also secured by state intercept payments. Proceeds will be used to complete construction of two new elementary schools. Since the 2000 census, the district's somewhat small population declined nearly 10% to an estimated 19,041 (2008). The 2008 full market value is $1.15 billion. As of the 2000 census, per capita and median family income levels were below the state at $13,828 (78%) and $36,655 (84%), respectively. Although a decline from prior years, general fund reserves have been relatively steady in recent years averaging a satisfactory 7.1% of general fund revenues ($1.6 million). Similar to population trends, enrollment has slowly declined averaging -1.4% annually over the last five years. Direct debt is manageable, but above the state median at 2.3%. Payout of all the district's general obligation debt is below average at 43.6% in ten years.

Moody's has reviewed and assessed the credit quality of each participant. The weighted average rating of the pledged securities in this group is approximately Baa1. Factors include a relatively small tax base for each participant, below average wealth levels of each participant, challenged financial operations for the largest 2008E participant, and the nature of the securities.

KEY STATISTICS:

Madison SD #321 (G.O rated Baa1)

Loan amount: $19.5 million

Purpose: School facility construction

Estimated population (2006): 31,393

1999 Per capita income: $10,631 (60% of state levels)

2007 General Fund balance: $617,000 (2.9% of General Fund revenues)

Direct debt burden: 4.9%

Madison Library District

Loan Amount: $3.92 million

Purpose: Library facility expansion

Population (2007): 27,575

1999 Per capita income: $10,631 (60% of state levels)

2007 General Fund balance: $368,000 (60.0% of General Fund revenues)

Direct debt burden: 0.3%

Minidoka SD #331 (G.O. rated A3)

Loan amount: $4.4 million

Purpose: School facility construction

Estimated population (2006): 19,041

1999 per capita income: $13,828 (78% of state levels)

2007 General Fund balance: $1.6 million (7.0% of General Fund revenues)

Direct debt burden: 2.3%

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